

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 /111 W

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P R 061530Z FEB 75

FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC PRIORITY 1959

INFO AMEMBASSY ABU DHABI

AMEMBASSY ACCRA

AMEMBASSY ALGIERS

AMEMBASSY ANKARA

AMEMBASSY BEIRUT

AMEMBASSY BELGRADE

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KINSHASHA

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AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY NASSAU

AMEMBASSY PARIS

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AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 TRIPOLI 156

E.O. 11652: GDS

TAGS: EALR, ENRG, LDN

SUBJECT: WHO ARE LIBYA'S OIL CUSTOMERS? NATIONALIZED
CRUDE SALES DURING FINAL QUARTER 1974.

SUMMARY. LIBYANS ARE SELLING INCREASING AMOUNTS OF NATIONALIZED
CRUDE, PROBABLY AT DISCOUNTED PRICES. WE HAVE OBTAINED SOME OF

DESTINATIONS AND QUANTITIES OF NATIONALIZED CRUDE. CUSTOMERS

INCLUDE BAHAMAS SPAIN, ARGENTINA, BRAZIL, AUSTRIA, GHANA, YUGO-
SLAVIA AND ZAIRE. AMOUNT OF DISCOUNTS UNKNOWN BUT POSSIBLY AS
MUCH AS 20 PERCENT. TURKEY IS NEW CUSTOMER, AND EAST EUROPEAN
COUNTRIES ARE PROBABLY WMT BUYING. SARIR PRODUCTION STATIC.
DISCOUNTING IN ACCORD WITH LIBYAN POLICY, HELPS REVENUES AND
GAINS FRIENDS. END SUMMARY.

1. CRUDE PETROLEUM SALES BY LIBYA'S NATIONAL OIL
COMPANY ARE MADE OUTSIDE OPEC'S TAX-PAID-COST PRICE
FLOORING MECHANISM AND THUS POTENTIALLY ARE PRICE
DISCOUNTED. UNLIKE OIL SOLD THROUGH INTER-
NATIONAL COMPANIES, PRICES OF TAX-FREE OIL ARE
NOT SUBJECT TO SCRUTINY BY OTHER OPEC MEMBERS.
SINCE TAXES ARE PUBLIC RECORD, DISCOUNTING IS
DIFFICULT TO HIDE--BUT WITH TAX-FREE OIL NO SUCH IN-
HIBITION EXISTS.

2. WERE LIBYA TO SELL TAX-FREE OIL AT DISCOUNT
TO MAJOR CONSUMERS, SUCH DISCOUNTING WOULD BE DE-
TECTED EARLY AND PRICES ON TAX-PAID-COST OIL WOULD
BE BREACHED. LIBYAN INTEREST, THEREFORE, IS TO
OPEN NEW MARKETS FOR NATIONAL OIL, MARKETS WHERE
THERE WILL BE LESS SHORT-TERM DISRUPTION OF OPEC
PRICING MECHANISM.

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3. INFORMATION ABOUT LIBYA'S TIGHT LIPPED OIL
INDUSTRY IS DIFFICULT TO OBTAIN. HOWEVER, FOR SOME
MONTHS WE HAVE BEEN OBSERVING MASSIVE DECLINES IN
SALES OF TAX-PAID-COST OIL AND SIGNIFICANT IN-
CREASES IN LIFTINGS OF NATIONAL OIL CO. CRUDE. IN
ABSENCE OF CONTRARY EVIDENCE, WE PRESUME SOME TAX-
FREE OIL IS CHANGING HANDS AT FAVORABLE PRICES. WE
HAD NOT HAD ANY DATA ON AMOUNTS OF DISCOUNTS OR

DESTINATIONS OF THIS OIL.

4. WELL PLACED INDUSTRY SOURCE THIS WEEK PROVIDED US WITH CONSIGNEES AND AMOUNTS OF NATIONALIZED OIL LIFTED FROM THREE OF FIVE LIBYAN MEDITERRANEAN TERMINALS. UNFORTUNATELY WE HAVE NOT BEEN ABLE TO GET SIMILAR INFORMATION ON TOBRUK TERMINAL (SARIR FIELD, 100 PERCENT NATIONALIZED FORMER BP-BUNKER HUNT, PRODUCTION ABOUT 70,000 BARRELS PER DAY) OR OCCIDENTAL TERMINAL AT ZUWEITINA (51 PERCENT NATIONALIZED, PRODUCTION JUST UNDER 200 5?0\$). HOWEVER, WE HAVE DATA ON RAS LANUF AND SIDRA TERMINALS FOR FINAL QUARTER OF 1974 AND FOR BREGA TERMINAL FOR FIRST 72 DAYS OF SAME QUARTER.

5. CONSIGNEES, NATIONAL LIBYAN CRUDE FROM THREE TERMINALS, FINAL QUARTER 1974 IN THOUSANDS OF BARRELS:

BAHAMAS	3,175
SPAIN	2,971
ARGENTINA	2,196.2
BRAZIL	1,980.2
AUSTRIA	941
GHANA	428.3
YUGOSLAVIA	270
ZAIRE	256
TOTAL	12,217.7

6. DURING LATE SPRING 1974 ARGENTINA LIFTED CONSIDERABLE QUANTITIES OF SARIR OIL. UPON DELIVERY, ACCORDING TO ONE EMBASSY SOURCE, ARGENTINIANS EX-CONFIDENTIAL

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PERIENCED CONSIDERABLE DIFFICULTY WITH WAX PROBLEMS AND SUSPENDED DELIVERY THUS CONTRIBUTING TO DECREASE IN SARIR PRODUCTION. ARGENTINA IS NOW BUYING LIBYAN CRUDES WITH LESS WAX.

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INFO AMEMBASSY ABU DHARBI

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AMEMBASSY NASSAU

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C O N F I D E N T I A L SECTION 2 OF 2 TRIPOLI 0156

7. ASSUME MUCH OF OIL FOR BAHAMAS WAS SHIPPED TO
U.S. OR WAS REFINED THERE AND RESHIPED TO U.S. AS

PRODUCTS, DESPITE NOMINAL LIBYAN EMBARGO ON SHIPMENTS TO U.S. DURING 1974.

8. WE ARE UNABLE GET MUCH PRICE INFORMATION ON SALES. LIBYANS WERE PROBABLY CHARGING "OFFICIAL" PRICES OF \$12-\$12.50 DURING QUARTER AND SHADING WAS REFLECTED IN LONGER CREDIT TERMS, EASIER FREIGHT RATES OR DIRECT REBATES, ALL IMPOSSIBLE TO MONITOR. HOWEVER, SCANTY HISTORICAL MATERIAL WE HAVE HERE INDPRATES ARGENTINA AND BRAZIL DURING LATE 50S AND EARLY 60S WERE BIDDING REGULWOLY ON PERSIAN GULF OIL AT DISCOUNTS OF 10 TO 20 PERCENT AND, WHILE THEIR BIDS WERE NOT ALWAYS ACCEPTED WHEN FIRST SUBMITTED, THEY WERE USUALLY ACCEPTED SECOND TIME AROUND. GIVEN TODAY'S FAR GREATER MARGIN BETWEEN

PRODUCTION COSTS AND "OFFICIAL" PRICES, WE TEND BELIEVE DISCOUNTS CLOSE TO OR EXCEEDING 20 PERCENT.

9. ANOTHER NEW MARKET FOR LIBYAN NATIONALIZED CRUDE DURING 1975 WILL BE TURKEY WHERE AGREEMENTS FOR SALE OF 3 MILLION TONS (IN EXCESS OF 50,000 BPD) RECENTLY COMPLETED AND OIL WILL BE SHIPPED IF PRICE IS RIGHT. DESPITE MUCH PUBLICITY AND COMMUNIQUE ON AGREEMENTS WITH EASTERN EUROPEAN COUNTRIES THROUGHOUT 1974, WE HAVE NO EVIDENCE THOSE COUNTRIES ARE PURCHASING NATIONALIZED LIBYAN CRUDE. EVEN DISCOUNTED LIBYAN OIL IS FAR ABOVE COMECON PRICES AND LIBYANS ALL TOO AWARE OF COMMUNIST PROPENSITY TO TRANSSHIP DISCOUNTED COMMODITIES TO MAJOR FREE WORLD CONSUMERS.

10. LIBYANS SEEM STYMIED, AT LEAST FOR NOW, ON INCREASING QUANTITIES OF OIL FROM SARIR FIELD. IF

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THEY WISH SELL TO MAJOR CONSUMING COUNTRIES, WHERE DE-WAXING FACILITIES ARE INSTALLED, THEY MUST LOWER PRICES AND SUCH DISCOUNTS WOULD BECOME KNOWN TO OPEC PARTNERS. AND IF THEY WISH TO SELL TO NEW MARKETS WITHOUT DE-WAXING FACILINUES BUYERS WILL NOT WANT SARIR OIL.

11. PRESENT LIBYAN PETROLEUM POLICY SEEMS CLEAR.

WHILE SALES BY MOST INTERNATIONAL COMPANIES DWINDLE, THEY CAN CASH IN ON PRESENT HIGH PRICES BY DIS-

COUNTING NATIONALIZED OIL, THUS MAXIMIZING SHORT
TERM REVENUE AND PARTIALLY OFFSETTING DECREASED
REVENUES. AND IN SOME OF THEIR NEW MARKETS OUTSIDE
MAJOR CONSUMING NATIONS THEY CAN WIN FRIENDS AND
GAIN INFLUENCE.
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